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National Home Center News®

Vol. 12, No. 25 \$2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. December 1, 1986

Handyman LBO tenuous as vote to dissolve nears

By Brad Altman
NHCN staff editor

SAN DIEGO — Time is running out for a management-led leveraged buyout of the entire Handyman Corp. or parts of it, as company officials prepare for a mid-December stockholder's meeting where shareholders will vote on the board of directors' recommendation to dissolve the 53-unit chain.

President and CEO Harvey Rosen said, "No matter what happens, the company will be dissolved in its present state—whether it is by an LBO, real estate deal or is bought by another company."

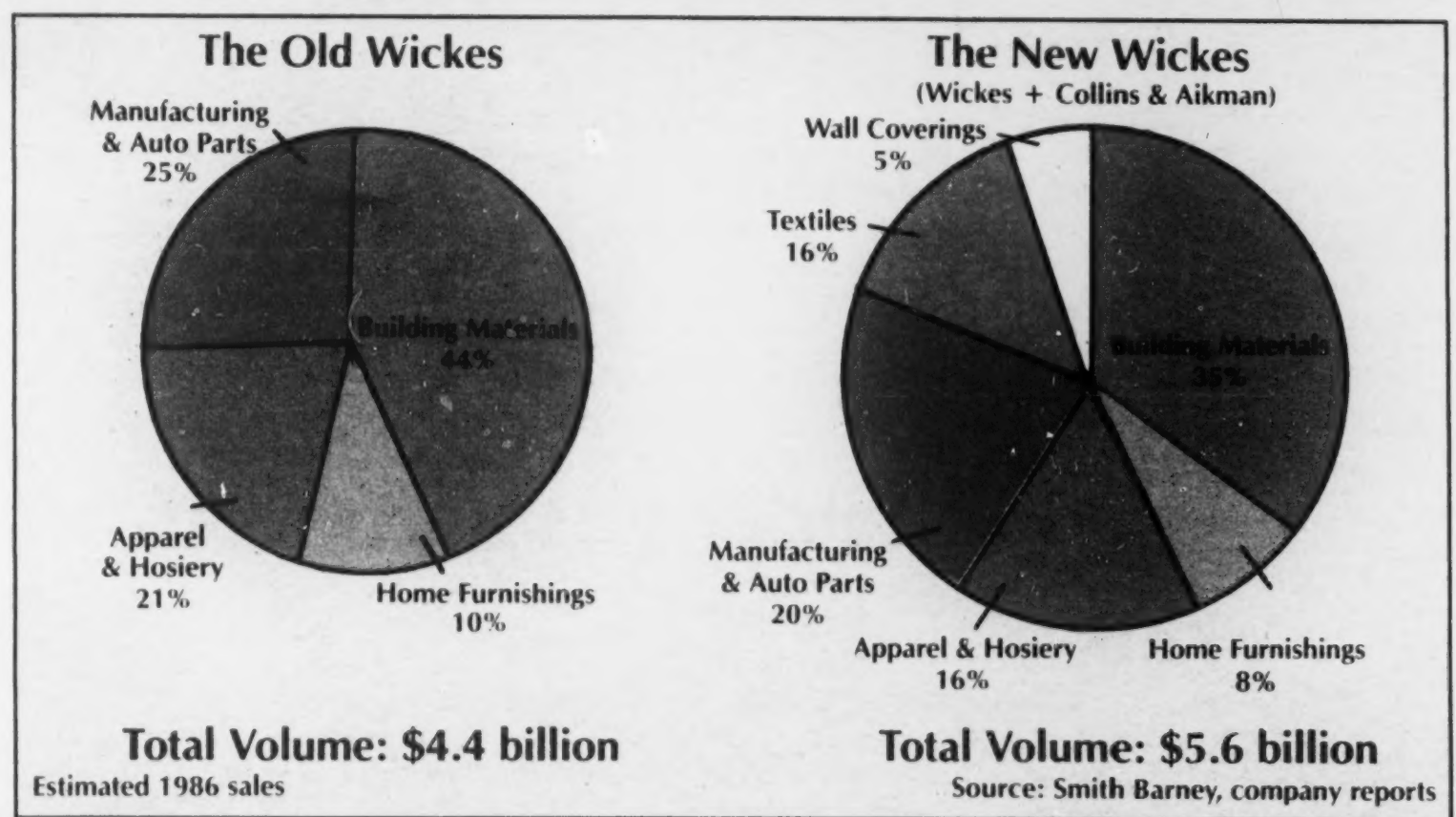
The publication of a liquidation proxy that will detail company director's recommendations to shareholders was slated for late November. "The next step is for stockholders to approve the board's recommendation," Rosen said.

"On the LBO, I don't want to make comment," he said.

He added, "Everything will be detailed in the proxy in terms of a variety of options. One thing is for sure—the company has got to be dissolved for tax purposes by the first of the year."

(Continued on page 54)

Collins & Aikman deal changes Wickes' focus



By Phillip M. Perry
NHCN staff editor

SANTA MONICA, Calif. — If Wickes Cos.' plan to purchase Collins & Aikman, the \$1.2 billion maker of textiles and wall coverings, goes through as scheduled, Wickes will become a \$5.6 billion company in which building materials play a diminished role.

Building materials, which now make up 44.2% of Wickes' total estimated 1986 revenues of \$4.4 billion, will comprise only 34.9% of revenues.

The purchase will bring some synergy, in the sense C&A's wall coverings, carpeting and shower curtains can be sold through Wickes home center outlets. Its fabrics products reach the same automotive market as does Wickes' auto parts division, APS.

"The Collins & Aikman businesses fit in nicely with Wickes' existing lines," said Lloyd Kanev, managing director of research at Smith Barney, New York.

He also noted Collins had the same finan-
(Continued on page 54)

Grossman's out of Ch. 11, debt payment starts

By John Caulfield
NHCN staff editor

ATLANTA — Evans Products is out of Chapter 11.

On Nov. 19, 19 months and 8 days after Evans and seven subsidiaries filed for protection under Chapter 11, a reorganization plan devised by Evans' creditors became effective.

According to sources connected with this bankruptcy proceeding, stock, zero coupon notes and debentures for repayment of Evans' debt were expected to start being distributed immediately.

The plan called for Evans' bank creditors to receive 78% of their claims of \$513.3 million through long- and short-term debentures worth around \$133 million; the sale of Evans' non-retail assets (expected to produce \$172.6 million); and 67.8% of the 20 million shares of stock to be issued in Grossman's Inc. (what the post-Chapter 11 Evans will be called) worth an estimated \$76.3 million.

Trade creditors of Grossman's are projected to get 94% of their claims up to \$105.2 million, in the form of zero coupon notes worth \$70 million, plus 25.078% of the new com-
(Continued on page 53)

Triangle moves into central Pennsylvania

By an NHCN staff editor

CHAMBERSBURG, Pa. — Triangle Building Centers last month opened its fifth store and newest prototype in this south central Pennsylvania town, in pursuit of its long-range strategy of store growth in secondary markets.

The new 60,000-sq.-ft. unit is the company's first expansion outside of eastern Pennsylvania and is the first unit to open since Martin C. Schaeffer, who replaced Thomas Osterlander as vp and gm, came aboard at the beginning of this year.

At the time of Schaeffer's arrival, Triangle was abuzz with reports that the company was on the verge of major expansion in 1986.

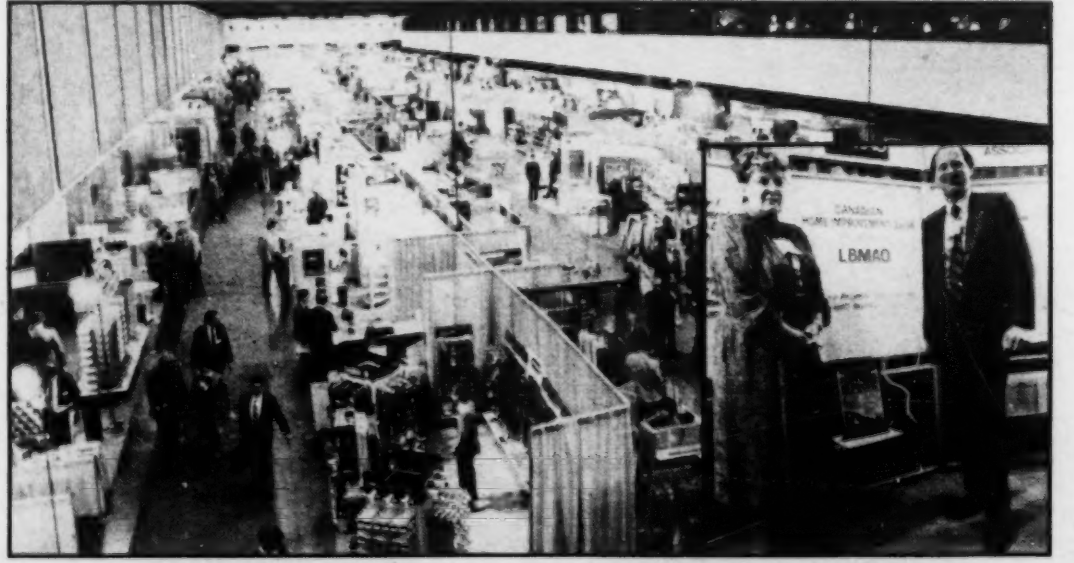
But Schaeffer indicated that with the opening of the Chambersburg unit, Triangle's store expansion will come true. He said the company is moving to open more stores in
(Continued on page 54)

Canadian dealers ride crest of prosperity at Ontario show

By Milford Prewitt
NHCN staff editor

TORONTO — Growth in rural and resort areas of Ontario is benefiting the province's lumber and building material retailers who continue to ride the crest of a prosperous business cycle.

The economy throughout Canada is still weak in the western provinces, and only now is the country starting to show signs of recovery. But retailers of the Lumber and Building Materials Association of Ontario (LBMAO), which sponsored the Canadian
(Continued on page 53)



An overview of the Canadian Home Improvement Show at Toronto's International Centre. Inset are Hannah M. Hancock, executive vp, and new president, Peter Frans, of the Lumber and Building Materials Association of Ontario.
NHCN photo

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Dan Cotter on the state of co-ops 23



Low-end lighting imports at low for high-end gamble 30

New promos brighten light bulb sales 33

NEWSBREAKS

OLE'S TO BE BE: The 39 California Ole's will be renamed Builders Emporium as Wickes assimilates the chain it bought in May. The conversion program is targeted to conclude next April at a cost of \$2-\$5 million, increasing BE's statewide store count to 97 units.

DARRER RETURNS: Norman Darrer, former president of Mr. HOW Warehouse, has returned to Grossman's Inc. as senior vp/operations, overseeing the company's Outlet division.

INDUSTRY UPDATE

Wiener acquires Builderama

SAVANNAH, Ga. — Wiener Enterprises of Harahan, La., acquired seven-unit Builderama, based here, for \$5,994,738 on Oct. 7, according to an 8-K filing with the Securities and Exchange Commission (SEC) dated Oct. 22.

Under the terms of the sale, Donald Kole, owner and president of Builderama, retains the presidency at least until 1990. After that, the SEC document said Kole will need to comply with a 10-year non-compete clause.

Additionally, the buyers will pay Builderama's former owners, Kole and three members of his family, up to \$1.2 million through 1989 if operating income goals are met in those years, the SEC document reported.

According to the SEC filing, Wiener paid 1.5 times the adjusted book value of the company.

In a separate matter, Kole announced Builderama will open its eighth unit in North Augusta, S.C., next summer.

Worthington doubles fill rate

CLEVELAND — Forty-five days after filing for protection from creditors under the Federal bankruptcy law, The Geo. F. Worthington Co. doubled its fill rate to its more than 1,000 retail and commercial accounts.

Kenneth Hrovat, president of the Cleveland-based Sentry Hardware wholesaler, said fill rates in November rose to the mid-60% range, up from 30% when the company filed for Chapter 11 Sept. 24.

Hrovat said a \$9 million line of credit and a leaner staff helped the company to boost its fill rate.

Strober sells common stock

BROOKLYN, N.Y. — Strober Brothers completed the sale of one million shares of common stock Nov. 7. The stock was sold at \$12 per share, about the mid point of the expected offering range.

Strober indicated proceeds from the offering would be used for an aggressive expansion program. (NHCN, Nov. 3).

Proceeds to the company came to \$11.1 million after underwriting fees, according to Gary Nacht, cfo for Strober. Oppenheimer & Co., New York, managed the offering. The shares are being traded over the counter under the NASDAQ symbol STRB.

Home Quarters appoints execs

VIRGINIA BEACH, Va. — Home Quarters Warehouse, which was bought from the W.R. Grace chain last month by its management investor group, is strengthening its executive team.

The new position of vice president-general merchandise will be filled by David Dail who will report directly to Frank Doczi, president and chief operating officer.

Tom Patterson was promoted to senior buyer, merchandiser, reporting directly to Dail.

Gary Emerine, the new buyer, merchandiser, will report to Patterson.

K mart adds 9 Mr. HOW units

TROY, Mich. — K mart has assumed ownership of nine Mr. HOW Warehouses, formerly owned by Service Merchandise, according to an asset purchase agreement signed in August.

The first group of stores include units in Virginia Beach, Va.; Columbus, Ohio; Augusta, Ga.; and one each in Davie, Coconut Creek, Green Acres and Melbourne, Fla.

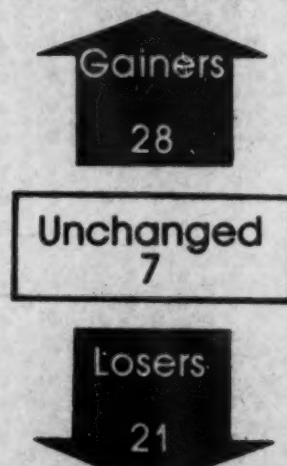
Home center stocks mixed

NEW YORK — Home center stocks closed mixed for the two week period ending Nov. 14, as investors took a wait-and-see attitude on third quarter results. Of 56 stocks tracked by NHCN, exactly half increased in price, while 21 declined and seven remained even with previous results.

Retailers, however, tended to cluster in the declining group while vendors characterized the winners.

Pay 'N Pak increased 11.2% to close at \$12.38, while Zayre went up 10.7% to \$27.25.

Primary losers were Erb Lumber, down 6.2% to \$15.25, and Wolohan Lumber, down 4% to \$9.



Distributors earn mixed grades from suppliers at NBMDA show

By Wyatt Kash
NHCN Editor

CHICAGO — The nation's independent building material wholesalers received an unusual report card here from suppliers last month.

The occasion was the 35th annual convention of the National Building Material Distributors Assn., and the report card was in the form of a survey of the association's allied suppliers.

The survey sought to evaluate how effectively distributors as a whole serve NBMDA suppliers and their retail customers.

The reviews, however, were clearly mixed, prompting one of the livelier debate sessions during the Nov. 8-12 conference, considered by many to be the most active in recent years.

Among other high points of the convention were the election of Joseph T. Theby Jr. as the association's president for

the coming year; the ratification of a new strategic plan for the association; the call for a joint exploratory meeting between the NBMDA and the National Lumber and Building Material Dealers Assn.; the installment of a supplier for the first time on the NBMDA's board of directors; and keynote addresses by Howard Baker Jr., the former Senate majority leader from Tennessee, and Guy Mabry, executive vp of Owens-Corning Fiberglas, among others.

Traffic during the two days of conference booth sessions was also considered high, in contrast to past years when suppliers seemed to outnumber wholesalers by an unhealthy margin.

A more aggressive posture on the part of the NBMDA and strong wholesale business activity in most parts of the country were among reasons John Hoch, a sales manager for United Steel Products,

Montgomery, Minn., believed were behind the increased attendance.

Perhaps a deeper reason for wholesaler enthusiasm, cited by Hoch and others, was the perception that the reliance upon distributors, which seemed to have waned in recent years, now appears to be on the rise.

"It's busier than it's been in many years," said Edwin Hull, vp of Gibson-Homans, Twinsburg, Ohio, describing the show. He attributed the activity to change in attitude, suggesting that distributors are "more aware of retailers' needs."

"It's not just a matter of getting a truckload [of goods] in and out of the warehouse. [Distributors] are coming to the realization they have to help dealers move it too."

Clearly, more of that kind of help is what suppliers would like to see, according to the re-

(Continued on page 54)

Builders Square wins name suit verdict

By an NHCN staff editor

SAN ANTONIO, Tex. — A jury here recently found that even though Builders Square and Builders Choice, both San Antonio-based companies, are similarly named, consumers are not confused by the similarity.

In fact, a jury in Texas District Court in San Antonio took less than one hour to reach its verdict, according to attorneys for the two companies.

The verdict, delivered on Oct. 30 after a 10-day trial, ended the 1½-year-old fight by Builders Choice to stop Builders Square from using its name and confusing its customers.

Builders Choice, which opened in February 1983, is a small, single-unit company

specializing in builder hardware, particularly nail guns and fastening equipment. Its sales are about \$1 million a year, according to its attorney, Ted D. Lee with the San Antonio firm of Gunn, Lee & Jackson.

Until January 1985, the Builders Square stores in San Antonio were operated under the Home Pro name. When K mart purchased the company in September 1984, it changed the name of the stores to Builders Square to blend in with the rest of its retail building supply units, explained David Haarz, trademark counsel for K mart.

Although the jury verdict has already been delivered, Lee said he may appeal, though that has not yet been decided.

Builders Choice filed suit in Texas District Court in San Antonio in April 1985 to stop Builders Square from using the word "Builders" in its name, which it alleged was confusing to its consumers. They sought nearly \$1 million in corrective advertising. Lee said Builders Choice was receiving phone calls and mail for Builders Square.

Prior to filing the lawsuit, Lee wrote Builders Square a letter requesting that the company, now with 83 units nationwide, stop using the Builders Square name. Haarz, said K mart "answered accordingly. We felt there was nothing to this claim and responded there was no confusion."

So far, Lee and Haarz said

(Continued on page 53)

Anchor Hocking rejects Newell's bid

By an NHCN staff editor

FREEDPORT, Ill. — Anchor Hocking, the Lancaster, Ohio-based maker of decorative hardware, locks and housewares, has rejected an acquisition offer by Newell Co.

Newell's bid of \$34 per share for all the target firm's 10.5 million outstanding shares represents a valuation of \$357 million for the firm.

The offer, announced Nov. 6, came two months after Newell, a \$350 million hardware and housewares vendor, first revealed it had been accumulating stock in the target firm. In early November Newell said it had accumulated 9.5% of Anchor Hocking stock, bringing its holdings to one million shares.

J. Ray Topper, Anchor Hocking's ceo, called the bid by Newell "a real non-offer if I've ever seen one." He claimed the bid "didn't represent a bona fide offer to acquire Anchor Hocking," in the sense the bid was open ended and lacking in commitment.

Anchor Hocking would not comment further on the issue. What Topper meant by his characterization of Newell's bid remains unclear, since Newell's public statement specified a precise per-share offer.

"The statement makes it sound as though the offer was not for a definitive price," noted Albert M. Klein, director of research at Edward A. Viner, a New York brokerage firm.

Anchor Hocking's negative reaction may be due partly to the fact the offer does not represent a substantial premium over the company's going price. During the first half of this year—prior to news of Newell's interest in the firm—Anchor Hocking stock was selling for a high of \$32.30. However, news of continuing problems in the firm's glassware division caused the stock price to dip to \$25 in late July.

Al Lewis, Anchor Hocking's corporate spokesman, said the company had already taken a step to improve its own profitability by reaching a favorable settlement last month with the American Flint Glass Workers Union.

(Continued on page 54)

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(1-800-642-6397)

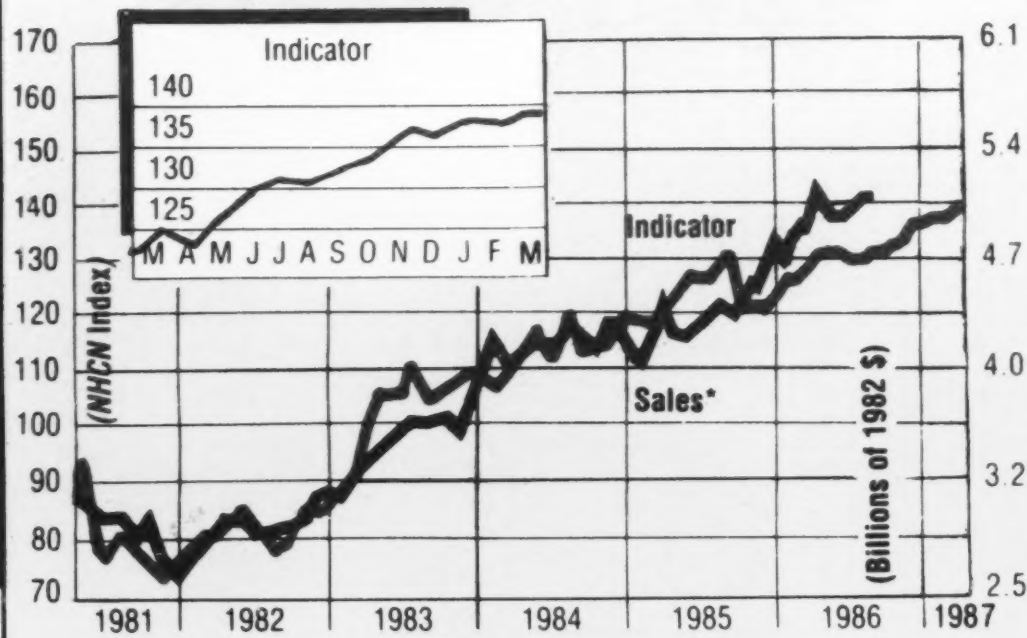
Available throughout the U.S., except New York State and Alaska: 212-371-9400, 9-5:30 (E.S.T.).

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BUSINESS WATCH

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 \$).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a small contraction in building material sales in the second half of 1986. The first half boom in housing starts is past, and the recent upturn in resales will not boost building material sales until next year.

Single-family home sale surge to boost material sales by 16%

By Richard E. Mount
Special to NHCN

Building material sales will increase 16% this year and 11% in 1987, partly due to the surge in new, single-family home sales. New housing provides two markets for building materials. The larger market is the materials used during building. The second market develops after the buyer moves into the new home and make changes.

New home sales will increase 18% in 1986, to 740,000 units, the best year since 1978 when 817,000 units were sold. The new home market was propelled by drops in interest rates, especially in the first half of the year, and a gradually improving economy. Sales in March reached a record



Richard E. Mount

high while April was the third best on record.

Sales in 1987 will equal 1986. Fixed rate mortgages will decline to about 9.3% by the middle of 1987, adjustables to 8% or less.

Not all regions will fare the

same during this time. The Northeast faces a small but multiyear correction. The Midwest will accelerate. The South faces weakness into 1987. The West will continue to gain.

Northeast sales

The Northeast has been the fastest growing region for new home sales for every year in the current recovery. The finance- and service-based economies from Boston to Washington have been solid, boosting demand for primary and secondary residences. The strength has been reflected in average new home prices—up 21% from a year ago.

New home sales should
(Continued on page 13)

General Business Conditions

	1985		1986				1987		1985	1986	1987
	QIII	QIV	QI	QII	QIII	QIV	QI	QII			
NHCN Leading Sales Indicator (January 1980 = 100)	121.0	123.4	124.7	127.9	132.1	136.5	138.5	140.6	118.5	130.3	140.9

General Economic Outlook

GNP \$1982 Billion	3,603.8	3,622.3	3,655.9	3,661.4	3,683.3	3,697.8	3,710.1	3,727.0	3,585.2	3,674.6	3,743.4
Real Disposable Income \$1982 Bil.	2,524.7	2,540.7	2,581.2	2,625.8	2,611.2	2,616.8	2,634.7	2,647.1	2,528.0	2,608.8	2,656.6
Housing Permits (000 SAAR)	1,762	1,741	1,834	1,822	1,682	1,650	1,550	1,610	1,739	1,767	1,621
Housing Starts (000 SAAR)	1,688	1,773	1,988	1,908	1,760	1,670	1,650	1,680	1,742	1,832	1,703
New Home Sales (000 SAAR)	711	696	789	789	675	700	710	710	686	738	730
Resales (000 SAAR)	3,360	3,500	3,257	3,470	3,560	3,425	3,425	3,450	3,216	3,428	3,449
Prime Rate %	9.5	9.5	9.4	8.6	7.9	7.4	7.0	6.7	9.9	8.3	6.7
Mortgage Rate % (HUD)	12.1	11.8	10.8	10.1	10.0	9.9	9.5	9.3	12.5	10.2	9.4
Consumer Price Index (1967 = 100)	323.0	326.5	327.7	326.3	328.4	330.8	333.5	336.5	322.1	328.3	338.3
Producer Price Index (1967 = 100)	293.1	296.4	292.0	288.0	288.3	290.1	292.7	295.7	293.9	289.6	297.2
New Housing Affordability 1980-100	120.7	120.5	128.6	127.1	128.9	132.2	133.4	135.4	117.6	129.2	134.8

Residential Alterations and Repairs

Current	Total \$ millions SAAR	77,800	90,600	84,965	87,508	90,543	92,903	94,567	96,069	80,267	88,980	97,902
	Maintenance and Repair	33,200	39,800	37,586	38,675	39,781	40,907	41,683	42,100	35,358	39,237	42,855
	Additions and Alterations	29,800	30,400	29,910	30,833	31,861	32,543	32,869	33,754	28,775	31,287	34,305
	Major Replacements	14,700	20,400	17,470	18,001	18,901	19,453	20,015	20,215	16,134	18,456	20,742
Constant	Total Millions \$1977 SAAR	45,368	51,857	48,150	49,100	50,300	51,100	51,500	51,800	46,985	49,663	52,513
	Maintenance and Repair	19,385	22,780	21,300	21,700	22,100	22,500	22,700	22,700	20,719	21,900	22,988
	Additions and Alterations	17,400	17,400	16,950	17,300	17,700	17,900	17,900	18,200	16,775	17,463	18,400
	Major Replacements	8,583	11,676	9,900	10,100	10,500	10,700	10,900	10,900	9,491	10,300	11,125

Retail Trade Activity

Current	Total \$ millions SAAR	1,399,296	1,388,316	1,404,932	1,421,400	1,474,232	1,460,268	1,482,507	1,507,248	1,373,941	1,440,208	1,517,443
	Total Minus Automobile	1,066,248	1,082,244	1,095,360	1,098,912	1,113,732	1,121,669	1,140,417	1,160,514	1,061,148	1,107,418	1,169,741
	Building Material, Hardware, Garden Supply, Mobile Home	74,328	78,024	83,904	85,316	86,860	85,575	87,658	90,297	74,062	85,414	92,010
	Building Material and Supply	53,736	56,976	61,180	62,580	63,128	62,964	65,292	67,398	53,841	62,463	69,122
Constant	Hardware	11,116	11,572	11,416	11,268	11,856	11,911	12,288	12,519	11,092	11,613	12,555
	Total Millions \$1982 SAAR	1,308,139	1,288,244	1,306,567	1,337,991	1,378,578	1,352,000	1,359,000	1,368,000	1,282,772	1,343,784	1,370,250
	Total Minus Automobile	1,003,997	1,009,867	1,027,361	1,048,913	1,056,004	1,053,000	1,060,000	1,068,000	997,299	1,046,320	1,071,000
	Building Material, Hardware, Garden Supply, Mobile Home	70,743	73,605	78,763	82,347	82,485	80,460	81,602	83,227	70,215	81,014	84,355
	Building Material and Supply	51,144	53,749	57,422	60,401	59,955	58,800	60,370	61,700	51,035	59,145	62,936
	Hardware	10,580	10,918	10,717	10,876	11,260	11,200	11,440	11,540	10,507	11,013	11,515
	Building Materials % of Total Less Automobile (\$Current)	5.04	5.26	5.59	5.69	5.67	5.61	5.73	5.81	5.07	5.64	5.91

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
November 13, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The NHCN Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for NHCN

BUSINESS WATCH

Building material sales sparked by 18% surge in new home sales

(Continued from page 12)

ease from this current torrid pace during 1987, although the level of sales would still exceed 1985. Home prices, in the Northeast, are now 35% above the national average and potential buyers are having increased difficulty with monthly mortgage payments.

Midwest sales

The Midwest will be the strongest market for new home sales next year, especially in the nonagricultural areas. While sales dropped sharply in the last downturn, the region has only equalled the national recovery average. Factory output will rise as the lower value of the dollar gives domestically produced goods a price advantage over imports.

South sales

The pace of new home sales has changed little since 1983 for the region, a situation that will continue into 1987. A recovery is expected by 1988. Problems in Latin America caused weak housing activity in southern Florida and Texas. The overbuilding of multi-units made single units less attractive. The drop in energy prices in early 1986 harmed the oil patch states. The fall in energy prices is past and, after local economies absorb the excess units, new home sales will rebound.

West sales

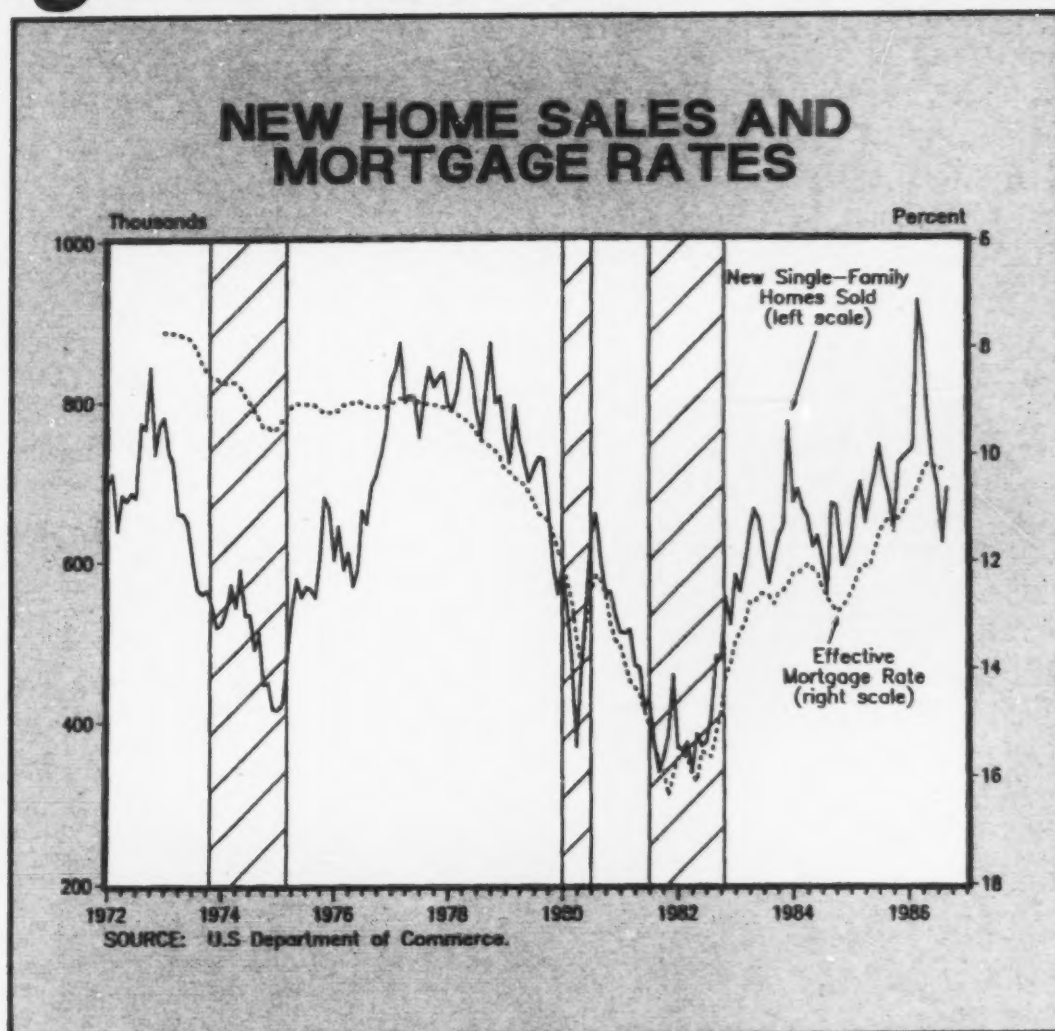
New home sales in the West are headed higher during 1987 as major industries turn about. During the first few years of the national expansion, mining in the Mountain states was troubled by imports, agriculture remained soft and then energy prices fell. The Pacific Northwest was harmed by lumber imports from Canada. California saw its high tech industry take a breather in 1986. In recent months, a lower dollar and stabilization of energy prices is beginning to boost the Mountain states. The United States imposed countervailing tariffs on Canadian lumber. High tech began to recover late in the third quarter.

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Wolohan's revenues rise in third qtr.

SAGINAW, Mich. — Wolohan Lumber reported revenues of \$58.8 million for the third quarter ended Sept. 30, which represented a 25% increase over the same period last year. Earnings for the same period increased 61% to \$1.9 million.

Revenues increased 18% at stores open longer than one year. That increase resulted from same-store sales increases of 10% on the consumer side and 28% on the professional side.



MANUFACTURER'S REPORT

New "Fencing Center" uses just 2 feet

PEORIA, IL — A new fence merchandising system has been designed by Keystone Steel & Wire to attract new D-I-Y customers to the company's full line of Red Brand fencing products.

A unique, free-standing, 8-panel, P-O-P "Fencing Center" prominently displays actual samples of 15 types of fence in just two feet of space. Bold graphics and easy-to-read headlines identify product categories and specific D-I-Y uses—Kennel & Garden Fence, Apron Fence, Utility Fence, Rabbit Fencing, Poultry Netting, Horse Fence and Woven Field Fence.

Seven turning panels detail how-

to-use descriptions for each kind of fence. Customers can self-select which fence to buy using the panel's specification guide and D-I-Y literature. The display can stand freely or hang on self-contained hooks in any part of the store—building materials, pet supply, lawn & garden or lumber departments.

Merchandise sells fence without the need for customer assistance.

1-800-447-6444 IL-800-322-2632

Keystone Steel & Wire

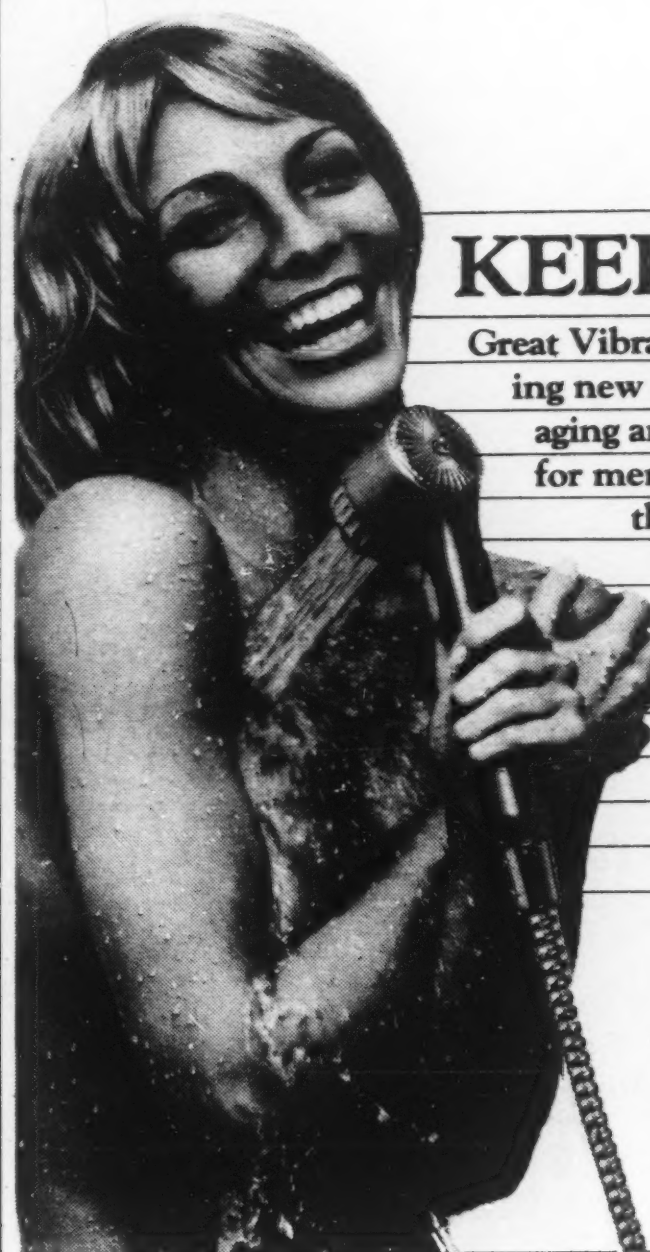
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MANUFACTURER'S REPORT

New "Fencing Center" uses just 2 feet

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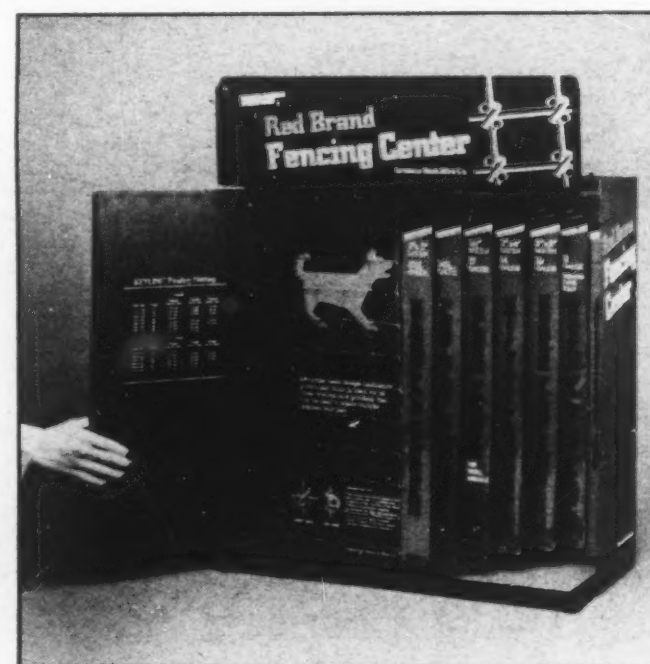
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Keystone Steel & Wire

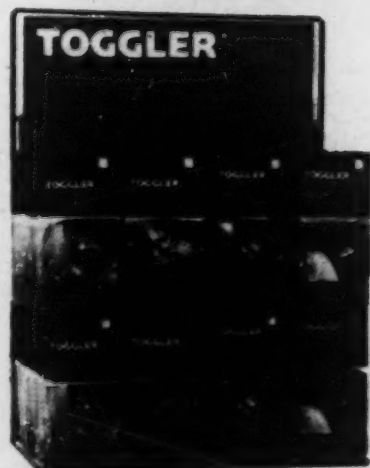
Peoria, IL 61641



▲ T-shaped "Roll Topper" signs (above) carry the graphic theme from fence rolls to the 24 x 29 x 12-inch display (below).



Every fourth sale should also include a TOGGLER® BRAND Anchor



There's less inventory and less square footage for more sales and more profits from all TOGGLER Displays. (Pictured: TY160)

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SCREW ANCHOR



TOGGLE BOLT

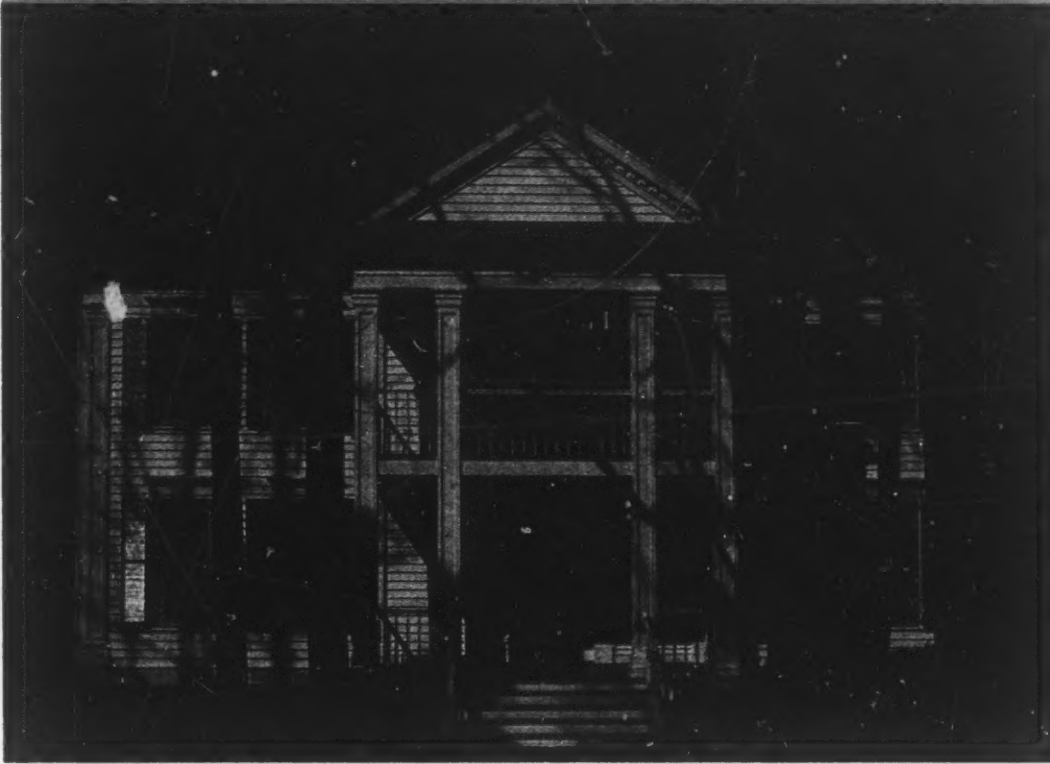
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Pleasantville, New York 10570
(914) 769-8450 Telex 137473 MPC PLVE Telefax: (914) 769-1903

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Townsend II



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Townsend

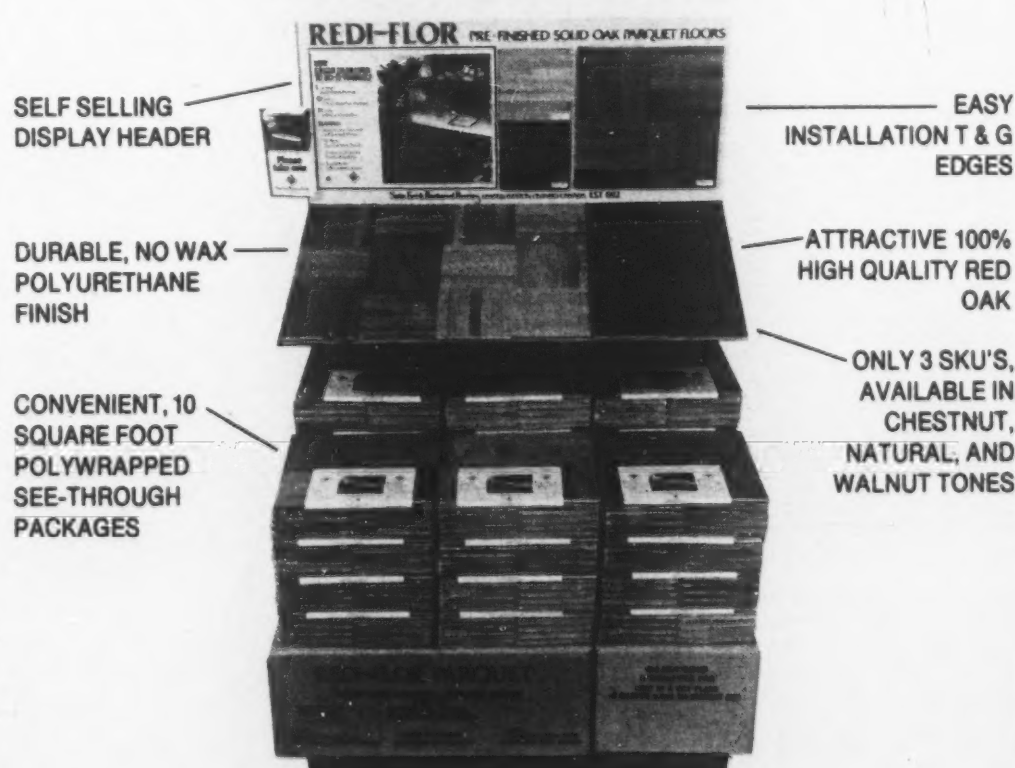
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LUMBER REPORT

Canadians stunned by ITA ruling, vow to fight until final decision

By Hawk Furman
Special to NHCN

The biggest countervailing duty case in history between the world's largest trading partners was determined, on a preliminary basis, on October 16. The International Trade Administration (ITA) imposed a 15% tariff on Canadian wood entering the U.S. The ITA found that a subsidy existed on stumpage and governmental programs. They cited a 14.582% subsidy in stumpage and the remainder of the 15% duty in federal and provincial programs.

There were complex calculations, and averaging has to be used to come up with the final duty amount. The U.S. Customs officials instructed customs brokers at ports of entry to instruct importers to post a bond on any lumber entering the U.S. from Canada on Oct. 22.

Canadian reaction

The Canadians were stunned by the ruling. The Minister of International Trade, Pat Carney, called a meeting of her provincial counterpart, lumber industry heads and a member of the International Woodworkers of America (IWA) union on Oct. 21. In a press release on the same day, Minister Carney stated: "We are all agreed that the ruling is deplorable, artificial and contrived, and does not stand up to objective analysis."

"We are determined to fight this decision with a view to having it changed when the final determination is made on Dec. 30."

"This decision, if allowed to stand, will be a very bad precedent for other resource products," she continued, "and will undermine a fundamental principle upon which international trading rules—and, indeed, U.S. trade law—have until now been based. It strikes directly at the sovereign right of governments to manage their own resources for the benefit of their people."

Up until the meeting of Oct. 21, Canadian industry, pro-

Downturn projected for '87 lumber usage

MONTEREY, Calif. — Slower economic growth in 1987 is expected to reduce lumber consumption, which should decline from a projected 46.1 billion bd. ft. this year to 44.3 billion bd. ft. next year, according to a report by the Western Wood Products Association (WWPA).

WWPA president H.A. Roberts told a group of lumber producers that a decline in multifamily construction, caused by pending tax changes and high vacancy rates, will contribute to the decline in lumber use.

The estimated rate of consumption this year, 46.1 billion bd. ft., is the third consecutive year lumber consumption has hit record levels.

vincial, federal and union officials were not all speaking with the same voice on the tariff issue. Earlier this fall, the premier of British Columbia put his foot in his mouth when he talked about raising stumpage fees without consulting with forest industry leaders. He effectively undercut the strategy of the Canadian lumber industry led by the Council of Forest Industries. Provincial views of how to handle the tariff also differed. Leaders from all these groups have since banded together as a coalition and have agreed to speak with one voice through Pat Carney.

The Canadians are likely to launch their attacks in three areas. First, they will conduct research to try to prove that the numbers shown by the Commerce Department have been misrepresented. Second, they will commence legal proceedings to defend against ITA findings. Third, they will

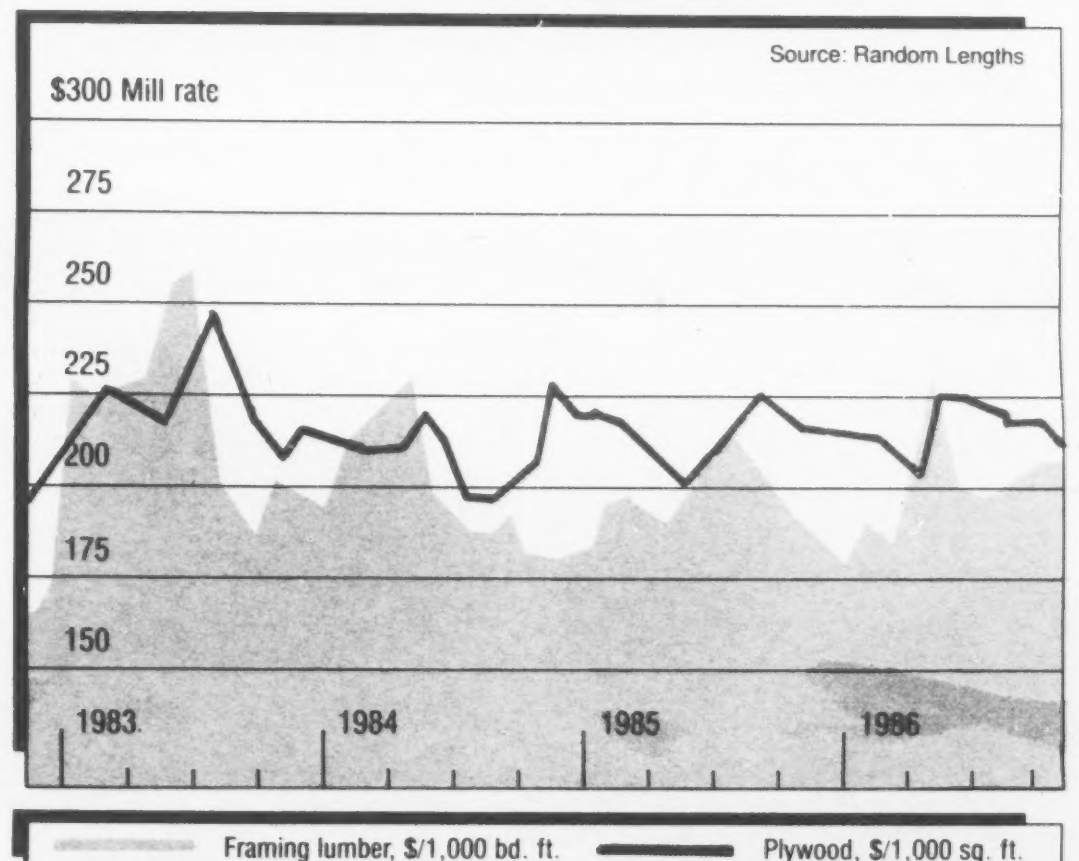
launch a public relations effort to educate American senators, congressmen and trade officials on the detrimental effects of the tariff on the American consumer.

The elections are over in the U.S. and with that comes a window of opportunity for the Canadians to state their case in a unified, persuasive manner, which could result in a reduction or elimination of the tariff.

It does not feel right that a few U.S. mills can outweigh the economic good for the American consumer. It does not feel right that the ITA—which in 1983 found in a similar countervailing duty case that no subsidy existed, and reaffirmed its decision in 1985—now discovers a subsidy. It does not feel right that the United States and Canada can achieve a free and fair trade agreement if this countervailing duty prevails. Look for the tariff to be rescinded.

Commodity close-up

Composite lumber/plywood price profile (per thousand board feet)



Despite the end of the building season, framing lumber and plywood continued to enjoy seasonably high trading prices. Framing lumber dropped \$1 from its September monthly average of \$199 per thousand board feet while plywood followed suit, dropping \$2 from September to an October monthly average of \$220 per thousand square feet.

Futures

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; \$ per 1,000 bd. ft.

Two weeks ended 11/7

	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
Nov.	\$194.80	\$183.20	\$191.20	\$182.90	1,224	\$194.80	\$146.00
Jan. '87	\$175.50	\$169.80	\$172.50	\$172.20	3,029	\$182.00	\$150.00
March	\$172.60	\$168.00	\$171.00	\$171.00	883	\$180.50	\$153.00
May	\$172.10	\$168.00	\$169.50	\$170.50	197	\$179.00	\$155.50
July	\$173.50	\$169.50	\$170.50	\$172.50	52	\$177.50	\$155.10
Sept.	\$174.00	\$169.50	\$170.00	\$172.50	81	\$177.90	\$163.50
Nov.	\$173.00	\$170.00	\$170.90	\$170.90	8	\$173.00	\$161.40

Total Contract Vol. (Through 11/7): 12,381

Previous Two Weeks: 12,659

Total Open Interest (As of 11/7): 5,474

Previous Week: 5,691

Cash Price: \$200.90

Previous Week: \$193.00

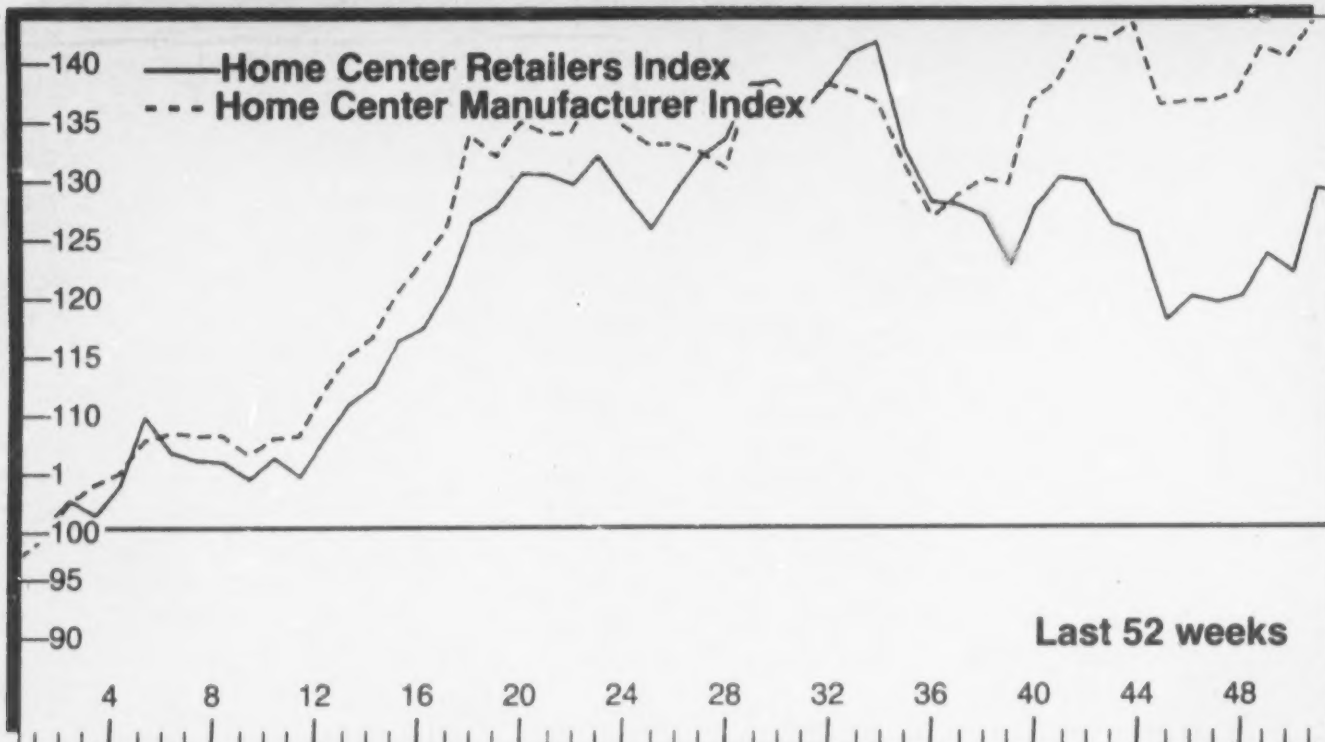
Year Ago: \$145.04

CME—Chicago Mercantile Exchange

*Figures for Thursday, 10/9

Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

FINANCIAL NEWS

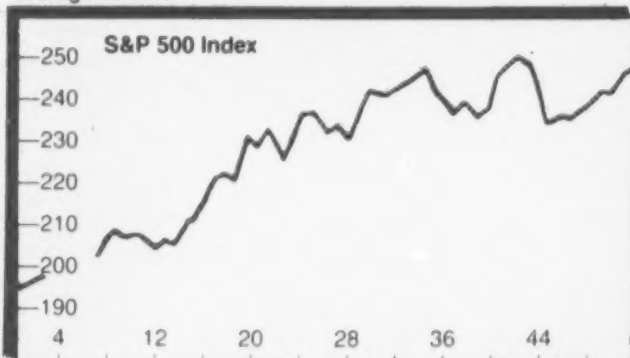


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the NHCN stock list.

Most Active Stocks

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
11-14-86	(100)	%	%
Scotly's Inc. N	5,425	400.0	-2.8
Ply-Gem A	7,845	338.6	18.5
Erb Lumber M	822	284.4	-6.2
Champ Intl N	88,230	254.9	7.8
Mich General A	4,299	247.7	.0
La Pacific N	19,523	216.2	1.7
SW Forest Ind N	12,068	213.1	10.2
Inelco Corp N	6,747	209.5	5.7
Grace W R N	39,255	203.9	-5.9
Zayre Corp N	71,766	202.7	10.7

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.



Price Movement

Company & Market	2-Weeks Ended 11-14-86	2-Week Price Change	Total 2-Week Volume
Winners	\$	%	(100)
Ply-Gem A	12.00	18.5	7,845
Pay N Pak N	12.38	11.2	3,182
Stanine Inc M	10.00	10.7	154
Zayre Corp N	27.25	10.7	71,766
SW Forest Ind N	18.88	10.2	12,068
Armstrong Wild N	61.63	7.9	5,300
Champ Intl N	31.25	7.8	88,230
Enhart Corp N	34.25	7.0	8,740
Inelco Corp N	22.00	5.7	6,747
USG Corp N	42.50	5.3	38,018
Losers	\$	%	(100)
Allegheny Int N	16.00	-15.2	3,567
Color Tile M	27.00	-13.3	11
Genova M	4.38	-7.9	112
Georgia-Pacific N	37.25	-7.5	39,195
Lewis Palmer M	7.75	-7.5	406
Svc Merchandise M	10.88	-6.5	26,405
Erb Lumber M	15.25	-6.2	822
Grace W R N	53.63	-5.9	39,255
Wolohan Lumber M	9.00	-4.0	1,870
Masco Corp N	26.88	-3.6	23,466

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market											Financial Update																		
	Price								Volume			P/E Ratio	Indicated Divd. Rate		Latest Report			Latest Quarter						Year-to-Date						
	2-Weeks Ended		2-Weeks Change		2-Week Range		52-Week Range		2-Weeks Shares Traded		12-Week Avg. Vol.		Trend	New Report	Period	Date Ended	Revenue		Net Income		E.P.S.		Revenue		Net Income		E.P.S.			
	11-14-86		Amt.	Pct.	High	Low	High	Low	Total	% Out	As %		% Out				Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.
	\$	\$	%	%	\$	\$	\$	\$	(100)	%	%		%				\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Retailers																														
Color Tile	M	27.00	-4.13	-13.3	32.00	27.00	32.00	18.88	11	.01	4.72	-99.8	17.1	.00	.0	.....	fiscal	06-86	107.0	9.4	4.9	22.5	.52	18.2	387.1	11.5	14.9	12.0	1.58	9.0
Erb Lumber	M	15.25	-1.00	-6.2	17.00	15.25	19.25	8.25	822	2.46	.64	284.4	8.8	.00	.0	.....	6 mos.	06-86	60.5	13.9	2.2	-8.3	.67	3.1	95.6	20.4	1.9	-5.0	.57	3.6
Forest City Ent	A	32.13	-.75	-2.3	32.88	32.13	33.50	22.00	26	.03	.09	-66.7	29.2	.30	.9	.....	6 mos.	07-86	43.3	-19.1	6.4	88.2	.80	86.0	131.3	3.2	6.6	83.3	.83	84.4
Grace W R	N	53.63	-3.38	-5.9	57.75	53.50	60.75	39.25	39,255	9.45	3.11	203.9	18.2	2.80	5.2	.....	9 mos.	09-86	1321.2	-24.9	4.4	-82.6	.10	-75.6	3982.2	-24.1	87.7	-14.2	2.08	6.1
Handyman	A	44.75	-.25	-.6	45.25	44.63	47.63	24.63	128	.50	.77	-35.1	19.4	.20	.4	.....	6 mos.	06-86	50.2	-2.3	2.2	-12.0	.85	-14.1	112.8	-.6	2.0	-60.0	.79	-60.1
Hechinger A	M	17.75	.00	.0	18.00	17.63	23.59	13.59	2,217	2.03	3.37	-39.8	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B	M	17.75	.00	.0	18.25	17.75	23.59	14.59	295	.18	.15	20.0	21.4	.06	.3	.....	6 mos.	07-86	162.1	25.4	8.4	16.7	.27	12.5	299.0	22.6	13.3	20.9	.43	13.2
Home Depot	N	18.25	-.13	-.7	19.75	17.63	21.75	10.75	10,570	4.19	1.73	142.2	29.0	.00	.0	.....	6 mos.	07-86	263.5	51.2	7.2	188.0	.28	180.0	486.1	52.2	12.3	179.5	.48	166.7
INTERCO Inc	N	44.00	.25	.6	47.00	43.50	47.63	33.50	5,705	1.99	.96	107.3	14.5	1.60	3.6	.....	6 mos.	08-86	625.7	-2.8	23.4	.9	.74	1.4	1204.9	-2.3	37.8	9.9	1.20	10.1
K mart Co	N	51.38	2.38	4.8	54.00	49.50	57.38	33.63	55,410	4.40	2.08	111.5	22.6	1.48	2.9	.....	6 mos.	07-86	5979.0	9.5	118.4	58.3	.88	51.7	11191.4	7.2	210.0	57.5	1.58	51.9
Lowe's Cos	N	26.63	-.63	-2.3	30.63	26.38	41.50	22.38	21,767	5.57	2.06	170.4	16.9	.40	1.5	.....	6 mos.	07-86	657.8	10.4	21.2	1.4	.54	-6.9	1191.8	13.7	32.6	-.6	.85	-6.6
Mich General	A	1.75	.00	.0	1.88	1.25	5.25	1.25	4,299	3.79	1.09	247.7	NE	.00	.0	.....	6 mos.	06-86	120.0	.8	(2.6)	NE	(.22)	NE	211.2	2.0	(8.5)	NE	(.75)	NE
Natl Hardgoods	M	7.50	.00	.0	8.00	7.50	9.31	5.47	37	.27	.35	-22.9	17.4	.00a	.0	.....	6 mos.	07-86	10.9	5.8	.4	100.0	.25	25.0	17.4	2.4	.4	33.3	.28	33.3
Natl Lumber	M	4.63	-.13	-2.6	5.00	4.50	7.00	4.00	591	1.05	.43	144.2	NE	.00	.0	.....	*	07-86	NC	NC	NC	NC	NC	NC	73.0	NC	(.7)	NC	(.12)	NC
Pay N Pak	N	12.38	1.25	11.2	12.38	10.63	19.38	9.50	3,182	3.18	2.11	50.7	19.0	.40	3.2	.....	6 mos.	08-86	108.7	20.1	1.1	-63.3	.11	-63.3	213.8	23.4	3.4	-33.3	.34	-33.3
Payless Cash	N	18.88	.00	.0	21.25	18.88	27.50	14.25	9,182	2.65	1.53	73.2	15.3	.16	.8	.....	9 mos.	08-86	418.8	10.4	13.4	8.1	.39	8.3	1122.1	11.1	31.4	16.3	.91	13.8
Scotly's Inc	N	13.00	-.38	-2.8	13.38	12.25	18.13	12.25	5,425	3.75	.75	400.0	15.5	.52	4.0	.....	3 mos.	09-86	118.7	7.6	1.6	-42.9	.11	-45.0	118.7	7.6	1.6	-42.9	.11	-45.0
Sears, Roebuck	N	42.50	-.88	-2.0	44.13	41.63	50.38	35.88	68,695	1.84	.97	89.7	11.6	1.76	4.1	.....	9 mos.	09-86	11171.3	11.2	328.1	25.1	.88	23.9	31311.8	9.3	808.3	7.6	2.17	6.9
Svc Merchandise	M	10.88	-.75	-6.5	11.50	10.75	15.00	8.25	26,405	7.93	6.38	24.3	NE	.08	.7	.....	9 mos.	09-86	329.5	-37.6	(30.3)	NE	(.92)	NE	1413.2	-.5	(68.8)	NE	(2.07)	NE
Sld Brd Pnt	N	23.50	.38	1.6	26.00	23.00	27.00	19.13	4,315	3.81	2.83	34.6	19.6	.58	2.5	.....	6 mos.	07-86	89.2	-6.6	4.8	-11.1	.42	-12.5	167.0	-5.3	8.1	-20.6	.71	-22.0
Supermks Gen	N	28.75	-.50	-1.7	29.25	27.75	32.25	22.69	7,701	2.00	.91	119.8	16.0	.28	1.0	.....	6 mos.	07-86	1361.4	5.8	19.9	226.2	.52	2.0	2698.7	7.8	32.2	79.9	.86	2.4
Wickes Cos	A	4.50	-.13	-2.7	4.88	4.25	7.00	4.00	112,242	4.73	1.58	199.4	16.7	.00	.0	.....	6 mos.	07-86	1111.8	32.4	20.8	114.4	.13	160.0	2106.9	36.3	36.5	748.8	.15	ME
Wolohan Lumber	M	9.00	-.38	-4.0	9.75	9.00	10.75	5.25	1,870	3.19	1.32	141.7	10.8	.20	2.2	.....	9 mos.	09-86	58.7	25.4	1.9	58.3	.33	65.0	141.9	25.2	3.6	63.6	.61	60.5
Zayre Corp	N	27.25	2.63	10.7	28.88	24.13	43.88	20.75	71,766	12.17	4.02	202.7	19.1	.32	1.2	NEW	9 mos.	10-86	1316.4	30.5	22.9	-15.2	.38	-17.4	3573.6	32.6	48.6	-16.5	.81	-19.0
Wholesalers																														
Lewis Palmer	M	7.75	-.63	-7.5	8.50	7.75	9.88	7.13	406	1.04	1.20	-13.3	25.0	.28	3.6	.....	6 mos.	07-86	46.6	24.3	.4	100.0	.12	100.0	80.4	14.0	.5	150.0	.14	133.3
Stanine Inc	M	10.00	.97	10.7	10.00	8.56	12.13	6.91	154	.91	.75	21.3	12.0	.27b	2.7	.....	9 mos.	07-86	16.4	18.0	.5	66.7	.25	8.7	43.8	5.5	1.1	22.2	.61	-9.0
Manufacturers																														
Allegheny Int	N	16.00	-2.88	-15.2	18.88	15.50	25.88	11.38	3,567	3.31	3.02	9.6	NE	.00	.0	NEW	9 mos.	09-86	438.0	-14.1	(9.7)	NE	(1.60)	NE	1350.9	-10.7	.6	NE	(2.04)	NE
Am Standard	N	40.88	.75	1.9	41.75	40.25	46.88	32.88	7,667	2.04	1.49	36.9	8.1	1.60	3.9	.....	6 mos.	06-86	819.4	8.4	80.1	114.7	2.12	123.2	1534.4	7.7	130.3	126.2	3.42	132.7
Am Woodmark	M	13.25	.50	3.9	13.75	12.75	14.75	10.00	426	.69	.74	-6.8	13.5	.00	.0	.....	3 mos.	07-86	28.4	16.9	1.8	63.6	.30	36.4	28.4	16.9	1.8	63.6	.30	36.4
Armstrong Wrlld	N	61.63	4.50	7.9	62.38	56.50	69.88	39.63	5,300	2.26	1.42	54.9	12.9	1.68	2.7	.....	9 mos.	09-86	506.0	13.3	35.6	26.7	1.47	25.6	1423.9	13.6	92.3	17.9	3.82	17.2
Black & Decker	N	17.25	.00	.0	18.00	16.75	25.25	14.50	19,095	3.29	1.74	89.1	26.1	.40	2.3	.....	9 mos.	06-86	416.5	12.0	2.8	NE	.03	NE	1353.3	5.9	25.3	-31.1	.46	-36.1
Boise Cascade	N	61.75	1.25	2.1	62.63	60.25	62.63	43.25	7,732	2.64	1.69	56.2	21.4	1.90	3.1	.....	9 mos.	09-86	959.5	2.7	13.3	34.5	.38	-41.5	2821.2	-.8	69.6	-18.4	2.28	-19.7
Certain-teed	N	30.00	.88	3.0	30.25	29.00	38.50	22.63	1,682	.89	.54	64.8	10.0	.90	3.0	.....	9 mos.	09-86	304.5	.1	19.9	8.7	1.04	11.8	845.6	-.3	46.6	8.4	2.45	12.4
Champ Intl	N	31.25	2.25	7.8	32.75	28.25	32.75	22.50	88,230	9.37	2.64	254.9	17.8	.52	1.7	.....	9 mos.	09-86	1110.9	-16.5	63.8	68.3	.68	83.8	3329.6	-27.2	136.3	9.0	1.39	13.9
DeSoto Inc	N	39.25	.38	1.0	39.38	38.38	41.38	33.63	568	1.19	.63	88.9	29.5	1.40	3.6	.....	9 mos.	09-86	107.7	-1.4	(3.8)	-100.0	(.80)	-100.0	336.0	1.8	3.5	-69.0	.73	-69.2
Emhart Corp	N	34.25	2.25	7.0	34.38	31.13	42.63	27.88	8,740	2.82	1.06	166.0	NE	1.40	4.1	.....	9 mos.	09-86	472.6	12.2	(71.2)	-100.0	(2.30)	-100.0	1510.1	17.0	(33.4)	-100.0	(.98)	-100.0
Genova	M	4.38	-.38	-7.9	4.63	4.38	5.88	4.38	112	.29	.16	81.3	9.9	.10	2.3	.....	9 mos.	06-86	14.5	2.1	.7	75.0	.19	111.1	35.9	.0	.9	12.5	.24	20.0
Georgia-Pacific	N	37.25	-3.00	-7.5	40.50	37.13	40.50	23.50	39,195	3.78	2.33	62.2	19.4	1.00	2.7	.....	9 mos.	09-86	1908.0	9.0	97.0	67.2	.90	73.1	5442.0	6.2	213.0	22.4	1.94	24.4
Inlco Corp	N	22.00	1.19	5.7	22.50	20.38	23.56	16.65	6,747	3.25	1.05	208.5	16.9	.95b	4.3	.....	9 mos.	09-86	195.5	-6.5	7.0	18.6	.27	-3.6	572.9	-10.1	25.3	12.4	1.14	.0
La Pacific	N	29.88	.50	1.7	31.75	29.38	31.75	20.41	19,523	5.28	1.67	216.2	19.7	.80b	2.7	.....	9 mos.	09-86	407.4	22.6	22.2	96.5	.80	93.5	1124.0	18.5	48.1	157.2	1.31	156.9
Macmillan Bloedel	M	30.13	.88	3.0	30.88	29.00	30.88	13.63	318	.10	.05	100.0	NA	.75	NA	NEW	9 mos.	09-86	657.6	10.1	31.7	162.0	.74	311.1	1989.5	13.6	110.0	388.9	2.73	2630.0
Martville Co	N	2.38	.00	.0	2.50	2.25	8.88	2.00	6,481	2.70	1.65	63.6	1.0	.00	.0	.....	9 mos.	09-86	511.1	8.4	26.7	NE	.85	NE	1457.2	3.7	63.9	NE	1.88	NE
Masco Corp	N	26.88	-1.00	-3.6	29.00	26.50	34.50	17.88	23,466	1.82	1.06	71.7	19.1	.36	1.3	.....	6 mos.	06-86	327.0	27.7	51.6	42.1	.40	28.0	635.0	30.9	96.7	34.7	.75	21.0
Mor-Flo Inds	M	14.00	.50	3.7	14.00	13.25	19.25	12.00	106	.42	.51	17.6	15.6	.01	.1	NEW	9 mos.	09-86	47.2	.4	.3	.0	.10	-9.1	147.9	-3.3	1.8			

National Home Center News

Vol. 13, No. 1 \$2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. January 12, 1987

Inquiry launched into Canadian Tire dealer stock purchase

By John Caulfield
NHCN staff editor

TORONTO — The Ontario Securities Commission began hearings on Dec. 18 to determine the fairness of a bid by Canadian Tire dealers to acquire nearly half of the common shares of their company, which is Canada's largest hard lines retailer.

Controlling interests in the \$2 billion chain have, in essence, accepted an offer made by the company's Dealers Holdings Ltd., which represents 348 of CT's 361 dealers, to buy 49% of the company's 3,450,000 shares of voting stock. These dealers already own 17.4% of the company's common shares.

Simultaneously, these interests have rejected an informal bid made by Cara Operations, a food services and res-

(Continued on page 58)

O'Malley, in shift to pro biz, fires retail gm, nine others

By Brad Altman
NHCN staff editor

PHOENIX — In a major shift away from consumer-focused management, directors of O'Malley Lumber Cos.' Retail Division last month fired the head of the division and nine other headquarters employees.

Company officials said there would be stronger emphasis on the contractor-oriented commodities side of the business at the Retail Division's 16 Building Materials Centers, which have been suffering eroding market share

and declining profits.

The top official to get axed is Richard Passaglia, who joined O'Malley last January as general manager of the Retail Division after serving in management positions at such DIY-oriented chains as Builders Square, Grace West and Wickes.

Passaglia was a strong proponent of boosting O'Malley's consumer business and, in recent months, had authorized capital expenditures to upgrade store interiors that apparently met with resistance

(Continued on page 57)



O'Malley's is abandoning its consumer-oriented thrust, which had been led by retail gm Richard Passaglia. NHCN photo

Plywood Minn. pres. retires; health cited

By Gary S. Ruderman
NHCN staff editor

CHICAGO — Mary Baim, president of the eight Plywood Minnesota stores in the Chicago area, retired in November and passed management of the company to her former merchandising vp.

Health reasons were cited for her decision to step down from her post.

The change occurs at a pivotal time for Plywood Minnesota.

(Continued on page 58)



Many New England-based home centers like Serv-U Hardware in Springfield, Mass., are appealing to a wider consumer base with a broader assortment of bath and kitchen products. NHCN photo

Dealers in New England post dynamic sales gains

By Elizabeth Brent
NHCN staff editor

NATIONAL REPORT — Home centers in New England had a dynamic year in 1986, recording sales increases of between 14% and 40% above 1985.

Both retail and builder sales rose rapidly in a healthy economy where year-end housing starts are projected to run 21% above 1985 at 304,000 units, according to the National Association of Home Builders (NAHB). The association

predicts that single-family building will remain strong in 1987, but that total starts will fall by 11% in the Northeast due to a major decline in multi-family building.

Retailers project that strong sales will continue into the first and second quarter of 1987 with the continued low interest rates. Some expressed concern over the strength of the second home market and the slight softening in sales since October.

(Continued on page 57)

Builders Sq. units to compete against Depot in Atlanta

By Phillip M. Perry
NHCN staff editor

ATLANTA — Builders Square has requested bids from general contractors for the construction of two warehouse stores in this city. A builder for the stores was expected to be selected by the end of last month.

The move represents the first time The Home Depot is being challenged on its home turf by another operator of warehouse stores. Depot originated the warehouse home center concept in this city in 1979, and still maintains its headquarters here.

The two Builders Square units are slated to hold their grand openings on August 3, according to leases held by Hooker Barnes, an Atlanta real estate firm that owns the two shopping centers where the stores will be located.

"We're going to give them a Home Depot welcome—and you can put the word welcome in quotation marks," said Arthur Blank, president of Home Depot, which operates six stores in the market.

Each of the Builders Square stores will have 80,160 sq. ft. of showroom space, and an attached garden center, accord-

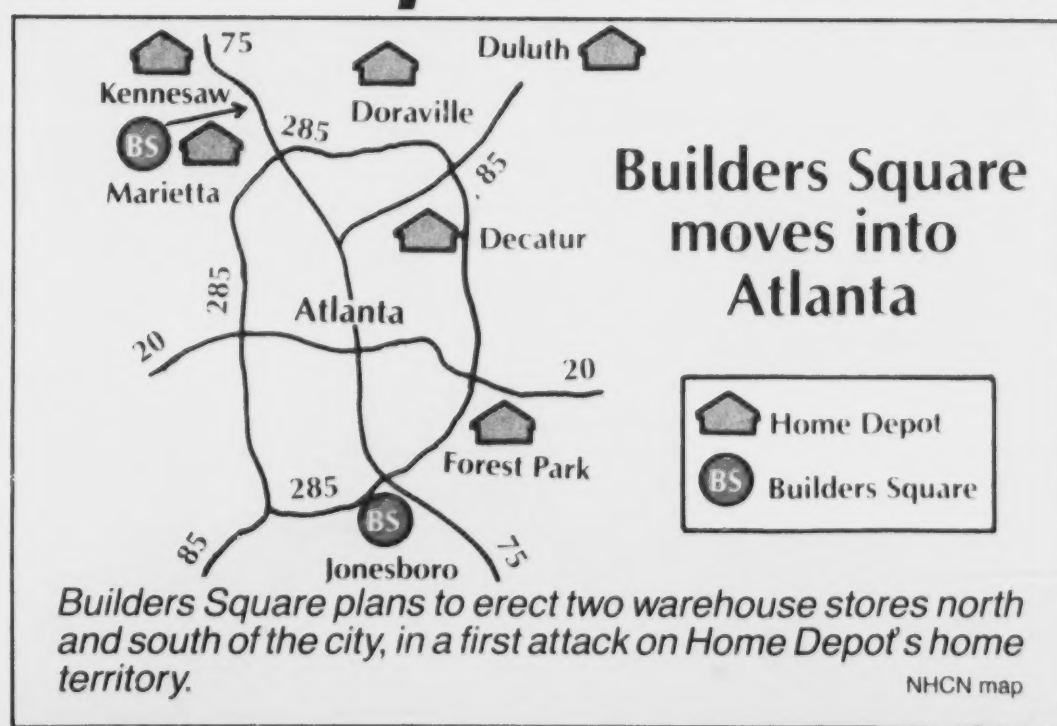
ing to Richard L. Bowen and Associates, the Cleveland architectural firm that drew up the plans.

Both new stores are scheduled to be built in fast-growing sections of the city.

One store is slated for the intersection of Powers Ferry Road and Upper Roswell Road in the northern suburb of Marietta, Ga. The store will be part of a new mall called Cobb Crossing.

The second is to be located at the intersection of Upper Riverdale Road and Tara Boulevard in the southern suburb

(Continued on page 57)



INSIDE

Perspectives



Insurance crisis sparks new interest in safety in the retail trenches with 'employee'
David Stanley 25

Merchandising



Geometry helps shape up decorative windows
Steel doors steal market share from wood 28

NEWSBREAKS

FORMER KNOX EXECS BUY AUTO PARTS CHAIN: Jim Hartman, Larry Platt, Mel Maurer and Jean Walhman have purchased Proper Oil-Co., which operates 30 automotive stores under the name 10,000 Auto Parts. Hartman will be the new firm's ceo and Platt its chairman.

CENTRAL HARDWARE BUYS FOUR MR. HOW'S: The St. Louis-based chain acquired two Mr. HOW stores each in the Cincinnati and Nashville markets Dec. 23 from Service Merchandise for an undisclosed sum.

INDUSTRY UPDATE

Payless executes inventory plan

KANSAS CITY, Mo. — Payless Cashways, the \$1.5 billion chain of building material stores based here, will implement the second major phase of its systems conversion this spring when all 180 of its units begin using a perpetual inventory system.

Currently, Payless stores track sales by stockkeeping unit at point of sale. When the chain goes up on perpetual inventory this year, the stores will also be able to purchase and receive by sku, providing the retailer with up-to-the-minute sku-specific information on cost, inventory level and sale rate. "Our service desk clerks will no longer have to check the stock to see if we have an item," said Payless chairman David Stanley. "It's all right there on the CRT."

Stanley said the enhancement of the system will dramatically improve customer service and provide better balance to the chain's inventory.

Wickes closes C&A deal

SANTA MONICA, Calif. — Wickes Cos. said last month it had acquired over 20 million shares of Collins & Aikman, in line with its previously announced friendly takeover of that firm. The acquired stock represents about 92% of the outstanding shares of the target company.

Wickes said it acquired Collins as part of an overall restructuring plan (NHCN, Dec. 1).

Under terms of the merger, holders of Collins stock are scheduled to receive a cash distribution of \$53 per share in early 1987.

Revelstoke splits in two

CALGARY, Alberta — Revelstoke, the 70-unit home improvement retailer based here, officially separated its business into two separate operating divisions effective Jan. 1, the company announced.

Now the retailer is composed of a 56-unit rural store division, called the Building Center Division, run by Gordon Roberts, executive vp and coo, and a 14-unit urban Home Center/Superstore Division, operated by Brian Spong, executive vp and marketing chief.

Keith McDowell, senior vp and secretary/treasurer, added that Revelstoke's Superstore division will be expanded eastward into Ontario in 1987.

The Revelstoke board of directors approved the separation of the retailer into two divisions at its Nov. 24 meeting, McDowell said. But the decision to make the division came last August (NHCN, Nov. 3).

Rickel continues to grow

NEW YORK — Rickel Home Centers will continue its "stepped up" expansion program this year, opening up to six new home centers, bringing its total to 54, and completing eight major renovations in 1987, according to Leonard Lieberman, chairman, president and ceo of the home center chain's parent company, Supermarkets General Corporation.

In a presentation to a group of security analysts here last month, Lieberman announced the parent company's record capital expansion plan of \$220 million for fiscal 1987. Supermarkets General operates the Pathmark and Purity Supreme supermarket chains, as well as a drug store division. Last year, SGC devoted some 15% of its \$200 million capital expenditure program to Rickel.

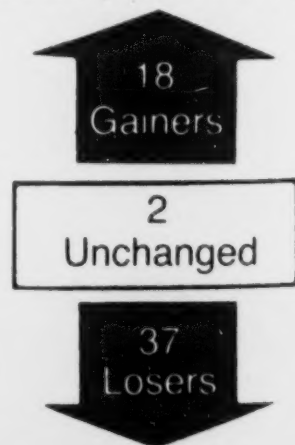
The chain opened six new stores last year. Sales grew some 7% to \$408 million for the year ended Nov. 1, 1986.

Home center stocks slip

NEW YORK — The two-week period before Christmas saw home center industry stocks slip as 37 issues declined, 18 gained and two remained unchanged.

The biggest loser in the period ended Dec. 12 was Michigan General, the parent of Diamond Lumber, whose stock fell 23.1% to close at \$1.25. Color Tile, which is owned by Michigan General's controlling interest General Felt, was off 12.5% to \$28.

On the plus side, the biggest gainer was Owens-Corning Fiberglas, whose stock rose 16.7% in the period to \$12.25. Among retailer stocks, only National Hardgoods and Forest City Enterprises showed gains, albeit marginal, during this two-week stretch.



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Emhart Corp. appoints Campbell new consumer group president

By an NHCN staff editor

FARMINGTON, Conn. — Richard Campbell has been named to the new position of president of Emhart Corporation's \$400 million consumer group. He is also now a corporate vice president.

Having joined the firm as a vp from Black & Decker in 1984, the 50-year-old Campbell will oversee one of Emhart's core businesses as the corporation moves ahead with its \$150 million restructuring program, the details of which, were outlined last month.

In a related development, Stephen Ruffi, a 31-year veteran of Emhart, will resign from the company on April 24. Ruffi, 59, was Emhart's vice chairman and chief administrative officer but was passed over for the chairman and ceo slot when Peter Scott was brought in from United Technologies 13 months ago to run the company.

Emhart will sell 16 of its businesses and eliminate 1,100 jobs. It intends to reduce expenses worldwide by \$20 million this year and \$30

million annually thereafter. Scott described these cutbacks, in a prepared statement, as an "integral part of a worldwide campaign to realign the company's assets and resources."

The businesses to be sold represent an estimated \$250 million in annual volume for the company and are located in eight U.S. states and four foreign countries. The businesses Emhart is getting out of make such items as spindles, time clocks, fire and security

(Continued on page 57)

Grossman's shuts units on each coast

By Laura Liebeck
NHCN staff editor

BRAINTREE, Mass. — Grossman's Inc. has decided to shutter two units, including a warehouse store that it had opened 18 months earlier.

These closings come several months after company president Mike Grossman said that the 272-unit retailer would begin reviewing its inventory of stores and close the unprofitable ones.

The Braintree, Mass.-based retailer closed its Moore's 60,000-sq.-ft. warehouse unit in Virginia Beach, Va., on Dec. 6, about a year and a half after opening the warehouse store in the seaside resort town. A month earlier, on Nov. 7, it also closed the doors to its Santa Rosa, Calif., yard.

Both markets are hotbeds of competition. In Virginia Beach, Moore's faced Home

Quarters Warehouse, Hechinger, Lowe's and Builders Square (which acquired the Mr. HOW unit) plus independents. The Santa Rosa store competed against HomeClub, which opened last spring; several independents; and Handyman, which is being closed.

Stanley Berman, executive vp of Grossman's Inc., said the store closings should not be construed as anything more than "isolated" incidents. However, Grossman's has not slated any other stores to close. But additional closings have not been ruled out.

The Grossman's organization, which emerged from Chapter 11 in late November, currently includes 85 Moore's units, 156 Grossman's stores plus 28 units in the Pacific Northwest and three in the Southwest. But the total is

growing.

During the early part of the second quarter, Berman said Grossman's will open its long-awaited 60,000-sq.-ft. warehouse club store in Hollywood, Calif., the fourth such unit for the company. The company, he added, will be "watching" this store, possibly to expand on the concept.

The closing of the unit in Virginia Beach does not necessarily mean that Grossman's is withdrawing from the market. Although Grossman's only leased the space for its warehouse store, it still owns the land on which its Moore's store, the precursor to its warehouse unit, was located.

Berman declined to speculate on what the company will do with the land but did say that Grossman's "hasn't decided" what it will do, that it is "leaving our options open."

Menards comes out ahead in survey

By an NHCN staff editor

MINNEAPOLIS — A home center shopping survey by a Minneapolis television station angered a retailer enough to pull its advertising from the station.

WCCO-TV consumer reporter Jim Newman shopped Menards, Builders Square, Knox Lumber, Budget Power and Justus Lumber in this market for six identical, brand name tools and three lumber items. The show aired Newman's findings on a Nov. 26, 1986, broadcast.

Menards total price for the nine items was the lowest, \$24.67 cheaper than the highest-priced store surveyed, the single unit Justus Lumber. Budget Power, an eight-unit chain based in Hopkins, Minn., was the second most expensive behind Builders Square and Knox. Budget Power was enraged by the results.

Julie Clifford, Budget Power's account representative at WCCO, confirmed that the re-

tailer discontinued its schedule for the fourth quarter of 1986 because of the survey results.

Jim Anderson, account executive at Budget Power's ad agency Cohen, Okerland and Smith, said the number and

type of items shopped at the retailer didn't reflect Budget Power's plumbing and electrical niche in the Twin Cities market.

Newman, the WCCO reporter, said the station's reve-

(Continued on page 4)

WCCO Reports You Can Save Over 26% By Shopping Menards Every Day Low Prices!



ITEMS CHECKED IN THE WCCO SURVEY

- STANLEY 25 POWER LOCK II
- BLACK & DECKER 3/8" POWER DRILL
- STANLEY WOOD CHISEL
- MASTER PADLOCK
- STANLEY QUICK-CHANGE UTILITY KNIFE
- 2 x 4-16 DIMENSION LUMBER
- STANLEY SURFORM PLANE
- 7/16" 4 x 8 WAFFERBOARD
- 2 x 4-92-5/8" STUD

MENARDS	STORE A	STORE B	STORE C	STORE D
TOTAL	TOTAL	TOTAL	TOTAL	TOTAL
\$6759	\$7685	\$7837	\$8987	\$9226

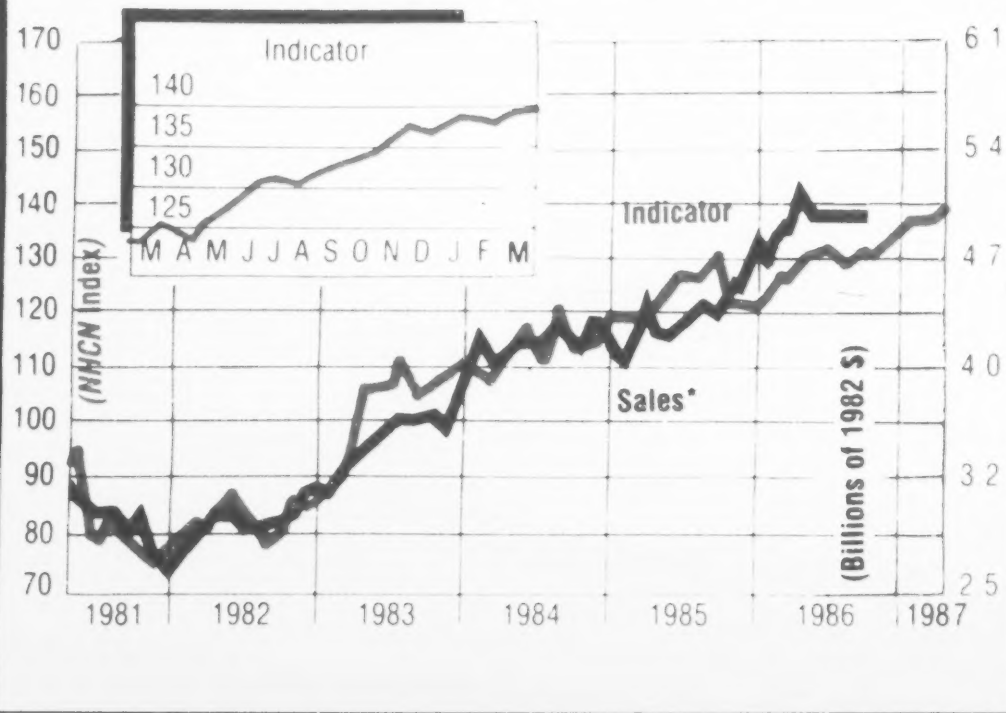
Menards ran a newspaper ad touting findings by a Minneapolis TV station showing the chain to have the lowest competitive prices compared with four other chains.

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BUSINESS WATCH

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 \$).
Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting an increase in building material sales in the first half of 1987. Resales were strong during September and October of 1986, while single family housing starts will recover as interest rates decline.

Housing activity to increase building material sales in '87

By Richard E. Mount
Special to NHCN

Building material retail sales will increase an additional 11% in 1987, after the strong 16% gain in 1986. Housing developments in the second half of 1986 and in the opening months of 1987 will boost building material demand throughout the year.

GNP

Economic growth will accelerate throughout 1987, from 1.3% in the first quarter to 3.5% in the fourth. The drop in the dollar will make domestic production and exports stronger and imports weaker. Increased production will raise capacity utilization rates, and, as business adjusts



Richard E. Mount

to the new tax bill, capital spending will pick up.

Interest rates

Interest rates are headed lower in the first half of 1987. Economic growth will slow

from a contraction in office and apartment construction and a payback from the 1986 automobile sales incentives.

Slower growth will cut borrowing needs and the Federal Reserve will cut the discount rate. Mortgage rates will decline to 9.4% by the second quarter, boosting interest rate-sensitive markets. Rates will rise marginally in the second half when the economy accelerates, but the strength in consumer incomes will offset this development. Major alterations work to existing structures will do well in 1987.

Housing

Housing starts have been
(Continued on page 18)

General Business Conditions

	1985		1986				1987		1985	1986	1987
	QIII	QIV	QI	QII	QIII	QIV	QI	QII			
NHCN Leading Sales Indicator (January 1980 = 100)	121.0	123.4	124.7	127.9	132.1	136.5	138.2	140.6	118.5	130.3	140.8

General Economic Outlook

GNP \$1982 Billion	3,603.8	3,622.3	3,655.9	3,661.4	3,687.3	3,697.8	3,710.1	3,727.0	3,585.2	3,675.6	3,743.4
Real Disposable Income \$1982 Bil.	2,524.7	2,540.7	2,581.2	2,625.8	2,611.2	2,616.8	2,634.7	2,647.1	2,528.0	2,608.8	2,656.6
Housing Permits (000 SAAR)	1,762	1,741	1,834	1,822	1,682	1,650	1,550	1,610	1,739	1,767	1,621
Housing Starts (000 SAAR)	1,688	1,773	1,988	1,908	1,760	1,670	1,650	1,680	1,742	1,832	1,704
New Home Sales (000 SAAR)	711	696	800	796	670	700	715	725	686	742	740
Resales (000 SAAR)	3,360	3,500	3,257	3,470	3,617	3,650	3,500	3,500	3,216	3,499	3,513
Prime Rate %	9.5	9.5	9.4	8.6	7.9	7.4	7.0	6.7	9.9	8.3	6.7
Mortgage Rate % (HUD)	12.1	11.8	10.8	10.1	10.2	9.9	9.6	9.4	12.5	10.3	9.5
Consumer Price Index (1967 = 100)	323.0	326.5	327.7	326.3	328.4	330.8	333.5	336.5	322.1	328.3	338.3
Producer Price Index (1967 = 100)	293.1	296.4	292.0	288.0	288.3	290.1	292.7	295.7	293.9	289.6	297.2
New Housing Affordability 1980-100	120.7	120.5	128.6	127.1	128.9	132.2	133.4	135.4	117.6	129.2	134.8

Residential Alterations and Repairs

Current	Total \$ millions SAAR	77,800	90,600	84,965	87,508	90,543	92,903	94,567	96,069	80,267	88,980	97,902
	Maintenance and Repair	33,200	39,800	37,586	38,675	39,781	40,907	41,683	42,100	35,358	39,237	42,855
	Additions and Alterations	29,800	30,400	29,910	30,833	31,861	32,543	32,869	33,754	28,775	31,287	34,305
	Major Replacements	14,700	20,400	17,470	18,001	18,901	19,453	20,015	20,215	16,134	18,456	20,742
Constant	Total Millions \$1977 SAAR	45,368	51,857	48,150	49,100	50,300	51,100	51,500	51,800	46,985	49,663	52,513
	Maintenance and Repair	19,385	22,780	21,300	21,700	22,100	22,500	22,700	22,700	20,719	21,900	22,988
	Additions and Alterations	17,400	17,400	16,950	17,300	17,700	17,900	17,900	18,200	16,775	17,463	18,400
	Major Replacements	8,583	11,676	9,900	10,100	10,500	10,700	10,900	10,900	9,491	10,300	11,125

Retail Trade Activity

Current	Total \$ millions SAAR	1,399,296	1,388,316	1,404,932	1,421,400	1,477,320	1,463,091	1,485,373	1,510,162	1,373,941	1,441,686	1,520,377
	Total Minus Automobile	1,066,248	1,082,244	1,095,360	1,098,912	1,111,800	1,122,370	1,141,130	1,161,239	1,061,148	1,107,111	1,170,471
	Building Material, Hardware, Garden Supply, Mobile Home	74,328	78,024	83,904	85,316	86,756	85,411	87,490	90,125	74,062	85,347	91,834
	Building Material and Supply	53,736	56,976	61,180	62,580	63,108	62,846	65,169	67,271	53,841	62,428	68,992
Constant	Hardware	11,116	11,572	11,416	11,268	11,828	11,888	12,264	12,495	11,092	11,600	12,531
	Total Millions \$1982 SAAR	1,308,139	1,288,244	1,306,567	1,337,991	1,378,800	1,352,000	1,359,000	1,368,000	1,282,772	1,343,840	1,370,250
	Total Minus Automobile	1,003,997	1,009,867	1,027,361	1,048,913	1,053,514	1,053,000	1,060,000	1,068,000	997,299	1,045,697	1,071,000
	Building Material, Hardware, Garden Supply, Mobile Home	70,743	73,605	78,763	82,347	82,544	80,460	81,602	83,227	70,215	81,028	84,355
	Building Material and Supply	51,144	53,749	57,422	60,401	60,049	58,800	60,370	61,700	51,035	59,168	62,936
	Hardware	10,580	10,918	10,717	10,876	11,255	11,200	11,440	11,540	10,507	11,012	11,515
	Building Materials % of Total Less Automobile (\$Current)	5.04	5.26	5.59	5.69	5.68	5.60	5.71	5.79	5.07	5.64	5.89

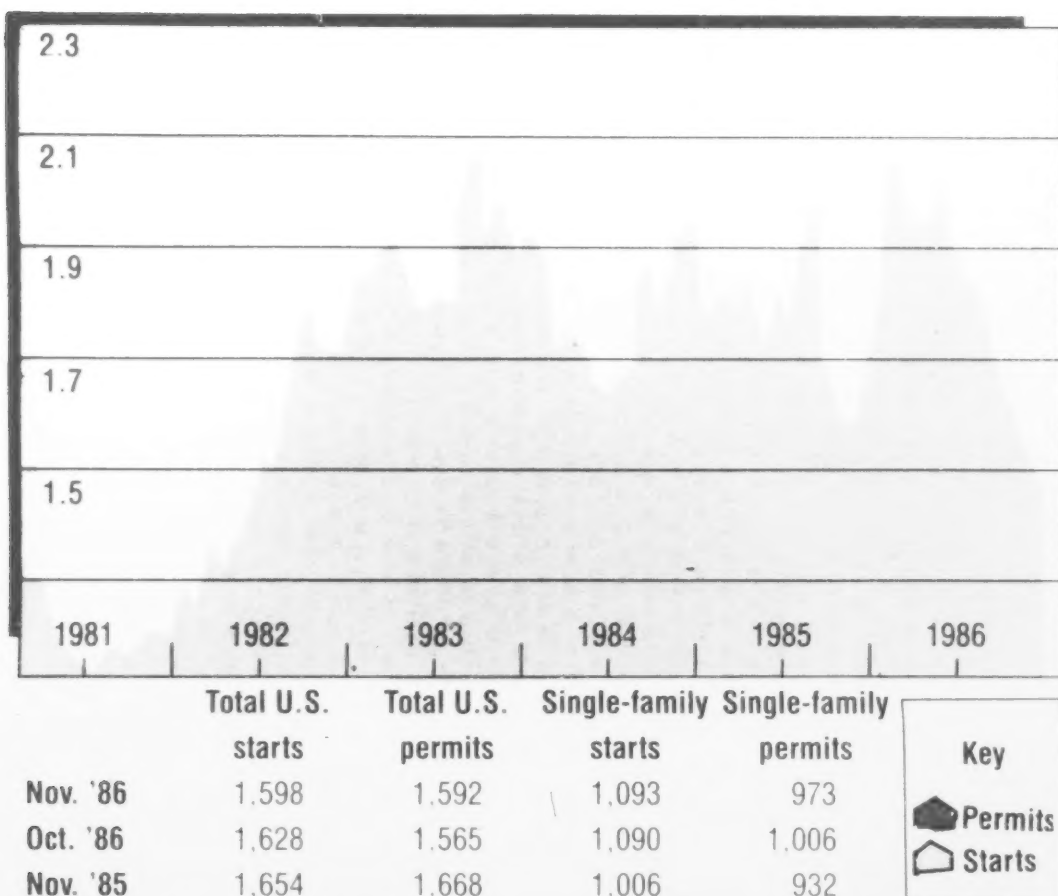
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
January 12, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The NHCN Leading Indicator runs every issue.

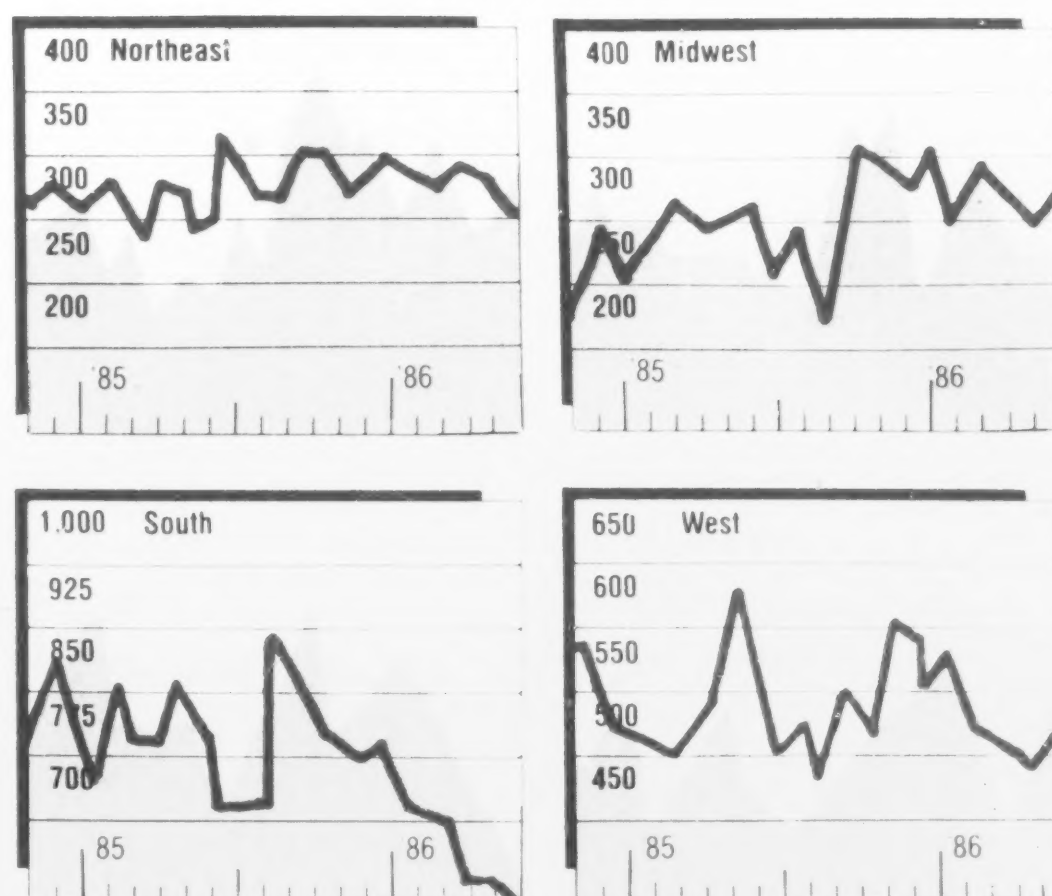
SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for NHCN

HOUSING WATCH

National housing starts and permits (seasonally adjusted annual rates, in millions)



Regional housing starts and permits (in thousands)



Housing activity firm despite cold weather

By Laura Liebeck
NHCN staff editor

NATIONAL REPORT — Winter had arrived in many parts of the country, but housing activity remained fairly firm in November, falling a mere 2% in November to a seasonally adjusted annual rate of 1.59 million units, reported the Commerce Dept.

And while this pace was the lowest in two years, single-family starts were a very strong 1.093 million units, unchanged from October. Total housing permits rose 2% to an annualized 1.592 million units, and single-family permits declined by 3% to 973,000 units.

The only region recording a monthly decline in starts in November was the South, dropping 13% to 593,000 units, which was 23% below November 1985. Permits fell 2% to 589,000 units, 19% below its last year's pace.

Dean Crist, research economist with the National Association of Home Builders (NAHB), explained that the general trend in the South, and in the other regions, has been downward this year, but to expected levels. Starts peaked at 2 million units in early 1986, but the annual total is expected to be about 1.8 million units.

Regional Housing (in thousands)

	Nov. '86	% chg.	Nov. '86	% chg.
	starts		permits	
Northeast	276	+10.0	254	-2
West	490	+6.0	465	-2
South	593	-13.0	589	-2
Midwest	239	unchg.	284	-14

Source: U.S. Commerce Department

Starts were again strongest in the Northeast, where activity rose 10% from October, to a seasonally adjusted 276,000 units, 17% above its November 1985 pace. Permits fell 2% from October, and were 5% off its year-ago pace.

The West also posted a substantial starts gain in November, rising 6% to 490,000 units, up 11% from last November. Permits in this region were up 2% from October, but were down 1% from November 1985.

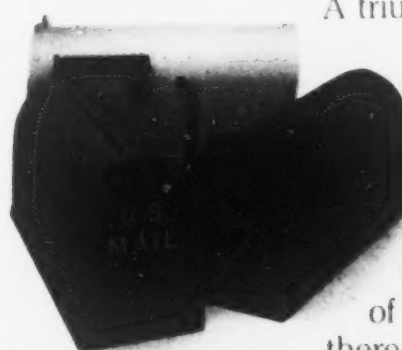
Starts activity in the Midwest was unchanged from October, at 239,000 units, seasonally adjusted, but 14% ahead of the corresponding month in 1985. Permits in this region, though, were up 14% from October, to 284,000 units, and up 38% from November 1985.

Effective Jan. 1, the Federal Home Loan Mortgage Corp. (Freddie Mac) increased its maximum loan amount on conventional mortgages from \$133,250 to \$153,100 to reflect increasing home prices.

A spokesman said that the increase allows Freddie Mac to buy more mortgages in high-priced communities, making homeownership more affordable to more people.

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